

45 compact legislation and which has not withdrawn pursuant to
46 Article XIV, section 1 of this compact, or been terminated pursuant
47 to Article XIV, section 2 of this compact.

48 4. "Commission" means the Interstate Insurance Product
49 Regulation Commission established by this compact.

50 5. "Commissioner" means the chief insurance regulatory official
51 of a state including, but not limited to, commissioner,
52 superintendent, director or administrator.

53 6. "Domiciliary state" means the state in which an insurer is
54 incorporated or organized; or, in the case of an alien insurer, its state
55 of entry.

56 7. "Insurer" means any entity licensed by a state to issue contracts
57 of insurance for any of the lines of insurance covered by this
58 compact.

59 8. "Member" means the person chosen by a compacting state as
60 its representative to the commission, or the member's designee.

61 9. "Non-compacting state" means any state which is not at the
62 time a compacting state.

63 10. "Operating procedures" mean procedures promulgated by the
64 commission implementing a rule, uniform standard or a provision
65 of this compact.

66 11. "Product" means the form of a policy or contract, including
67 any application, endorsement, or related form which is attached to
68 and made a part of the policy or contract, and any evidence of
69 coverage or certificate, for an individual or group annuity, life
70 insurance, disability income or long-term care insurance product
71 that an insurer is authorized to issue.

72 12. "Rule" means a statement of general or particular applicability

73 and future effect promulgated by the commission, including a
74 uniform standard developed pursuant to Article VII of this compact,
75 designed to implement, interpret, or prescribe law or policy or
76 describing the organization, procedure, or practice requirements of
77 the commission, which shall have the force and effect of law in the
78 compacting states.

79 13. "State" means any state, district or territory of the United
80 States of America.

81 14. "Third-party filer" means an entity that submits a product
82 filing to the commission on behalf of an Insurer.

83 15. "Uniform standard" means a standard adopted by the
84 commission for a product line, pursuant to Article VII of this
85 compact, and shall include all of the product requirements in
86 aggregate; provided, that each uniform standard shall be construed,
87 whether express or implied, to prohibit the use of any inconsistent,
88 misleading or ambiguous provisions in a product and the form of
89 the product made available to the public shall not be unfair,
90 inequitable or against public policy as determined by the
91 commission.

92 ARTICLE III

93 ESTABLISHMENT OF THE COMMISSION AND VENUE

94 1. The compacting states hereby create and establish a joint public
95 agency known as the Interstate Insurance Product Regulation
96 Commission. Pursuant to Article IV of this compact, the commission
97 will have the power to develop uniform standards for product lines,
98 receive and provide prompt review of products filed therewith, and
99 give approval to those product filings satisfying applicable uniform
100 standards; provided, it is not intended for the commission to be the
101 exclusive entity for receipt and review of insurance product filings.
102 Nothing herein shall prohibit any insurer from filing its product in
103 any state wherein the insurer is licensed to conduct the business of

104 insurance; and any such filing shall be subject to the laws of the
105 state where filed.

106 2. The Interstate Insurance Product Regulation Commission is a
107 body corporate and politic, and an instrumentality of the
108 compacting states.

109 3. The commission is solely responsible for its liabilities except as
110 otherwise specifically provided in this compact.

111 4. Venue is proper and judicial proceedings by or against the
112 commission shall be brought solely and exclusively in a court of
113 competent jurisdiction where the principal office of the commission
114 is located.

115 ARTICLE IV

116 POWERS OF THE COMMISSION

117 The commission shall have the following powers:

118 1. To promulgate rules, pursuant to Article VII of this compact,
119 which shall have the force and effect of law and shall be binding in
120 the compacting states to the extent and in the manner provided in
121 this compact;

122 2. To exercise its rulemaking authority and establish reasonable
123 uniform standards for products covered under the compact, and
124 advertisement related thereto, which shall have the force and effect
125 of law and shall be binding in the compacting states, but only for
126 those products filed with the commission, provided, that a
127 compacting state shall have the right to opt out of such uniform
128 standard pursuant to Article VII of this compact, to the extent and in
129 the manner provided in this compact, and, provided further, that
130 any uniform standard established by the commission for long-term
131 care insurance products may provide the same or greater
132 protections for consumers as, but shall not provide less than, those

133 protections set forth in the National Association of Insurance
134 Commissioners' Long-Term Care Insurance Model Act and Long-
135 Term Care Insurance Model Regulation, respectively, adopted as of
136 2001. The commission shall consider whether any subsequent
137 amendments to the National Association of Insurance
138 Commissioners' Long-Term Care Insurance Model Act or Long-
139 Term Care Insurance Model Regulation adopted by the National
140 Association of Insurance Commissioners require amending of the
141 uniform standards established by the commission for long-term care
142 insurance products;

143 3. To receive and review in an expeditious manner products filed
144 with the commission, and rate filings for disability income and long-
145 term care insurance products, and give approval of those products
146 and rate filings that satisfy the applicable uniform standard, where
147 such approval shall have the force and effect of law and be binding
148 on the compacting states to the extent and in the manner provided
149 in the compact;

150 4. To receive and review in an expeditious manner advertisement
151 relating to long-term care insurance products for which uniform
152 standards have been adopted by the commission, and give approval
153 to all advertisement that satisfies the applicable uniform standard.
154 For any product covered under this compact, other than long-term
155 care insurance products, the commission shall have the authority to
156 require an insurer to submit all or any part of its advertisement with
157 respect to that product for review or approval prior to use, if the
158 commission determines that the nature of the product is such that
159 an advertisement of the product could have the capacity or
160 tendency to mislead the public. The actions of the commission as
161 provided in this section shall have the force and effect of law and
162 shall be binding in the compacting states to the extent and in the
163 manner provided in the compact;

164 5. To exercise its rulemaking authority and designate products
165 and advertisement that may be subject to a self-certification process

166 without the need for prior approval by the commission;

167 6. To promulgate operating procedures, pursuant to Article VII of
168 this compact, which shall be binding in the compacting states to the
169 extent and in the manner provided in this compact;

170 7. To bring and prosecute legal proceedings or actions in its name
171 as the commission; provided, that the standing of any state
172 insurance department to sue or be sued under applicable law shall
173 not be affected;

174 8. To issue subpoenas requiring the attendance and testimony of
175 witnesses and the production of evidence;

176 9. To establish and maintain offices;

177 10. To purchase and maintain insurance and bonds;

178 11. To borrow, accept or contract for services of personnel,
179 including, but not limited to, employees of a compacting state;

180 12. To hire employees, professionals or specialists, and elect or
181 appoint officers, and to fix their compensation, define their duties
182 and give them appropriate authority to carry out the purposes of
183 the compact, and determine their qualifications; and to establish the
184 commission's personnel policies and programs relating to, among
185 other things, conflicts of interest, rates of compensation and
186 qualifications of personnel;

187 13. To accept any and all appropriate donations and grants of
188 money, equipment, supplies, materials and services, and to receive,
189 utilize and dispose of the same; provided that at all times the
190 commission shall strive to avoid any appearance of impropriety;

191 14. To lease, purchase, accept appropriate gifts or donations of, or
192 otherwise to own, hold, improve or use, any property, real, personal
193 or mixed; provided that at all times the commission shall strive to

194 avoid any appearance of impropriety;

195 15. To sell, convey, mortgage, pledge, lease, exchange, abandon
196 or otherwise dispose of any property, real, personal or mixed;

197 16. To remit filing fees to compacting states as may be set forth in
198 the bylaws, rules or operating procedures;

199 17. To enforce compliance by compacting states with rules,
200 uniform standards, operating procedures and bylaws;

201 18. To provide for dispute resolution among compacting states;

202 19. To advise compacting states on issues relating to insurers
203 domiciled or doing business in non-compacting jurisdictions,
204 consistent with the purposes of this compact;

205 20. To provide advice and training to those personnel in state
206 insurance departments responsible for product review, and to be a
207 resource for state insurance departments;

208 21. To establish a budget and make expenditures;

209 22. To borrow money;

210 23. To appoint committees, including advisory committees
211 comprising members, state insurance regulators, state legislators or
212 their representatives, insurance industry and consumer
213 representatives, and such other interested persons as may be
214 designated in the bylaws;

215 24. To provide and receive information from, and to cooperate
216 with law enforcement agencies;

217 25. To adopt and use a corporate seal; and

218 26. To perform such other functions as may be necessary or
219 appropriate to achieve the purposes of this compact consistent with

220 the state regulation of the business of insurance.

221 ARTICLE V

222 ORGANIZATION OF THE COMMISSION

223 Section 1. Membership, Voting and Bylaws

224 a. Each compacting state shall have and be limited to one
225 member. Each member shall be qualified to serve in that capacity
226 pursuant to applicable law of the compacting state. Any member
227 may be removed or suspended from office as provided by the law of
228 the state from which he or she shall be appointed. Any vacancy
229 occurring in the commission shall be filled in accordance with the
230 laws of the compacting state wherein the vacancy exists. Nothing
231 herein shall be construed to affect the manner in which a
232 compacting state determines the election or appointment and
233 qualification of its own commissioner.

234 b. Each member shall be entitled to one vote and shall have an
235 opportunity to participate in the governance of the commission in
236 accordance with the bylaws. Notwithstanding any provision herein
237 to the contrary, no action of the commission with respect to the
238 promulgation of a uniform standard shall be effective unless two-
239 thirds of the members vote in favor thereof.

240 c. The commission shall, by a majority of the members, prescribe
241 bylaws to govern its conduct as may be necessary or appropriate to
242 carry out the purposes, and exercise the powers, of the compact,
243 including, but not limited to:

244 (i) Establishing the fiscal year of the commission;

245 (ii) Providing reasonable procedures for appointing and electing
246 members, as well as holding meetings, of the management
247 committee;

248 (iii) Providing reasonable standards and procedures: (I) For the
249 establishment and meetings of other committees, and (II) governing
250 any general or specific delegation of any authority or function of the
251 commission;

252 (iv) Providing reasonable procedures for calling and conducting
253 meetings of the commission that consists of a majority of
254 commission members, ensuring reasonable advance notice of each
255 such meeting and providing for the right of citizens to attend each
256 such meeting with enumerated exceptions designed to protect the
257 public's interest, the privacy of individuals, and insurers'
258 proprietary information, including trade secrets. The commission
259 may meet in camera only after a majority of the entire membership
260 votes to close a meeting in toto or in part. As soon as practicable, the
261 commission must make public (I) a copy of the vote to close the
262 meeting revealing the vote of each member with no proxy votes
263 allowed, and (II) votes taken during such meeting;

264 (v) Establishing the titles, duties and authority and reasonable
265 procedures for the election of the officers of the commission;

266 (vi) Providing reasonable standards and procedures for the
267 establishment of the personnel policies and programs of the
268 commission. Notwithstanding any civil service or other similar laws
269 of any compacting state, the bylaws shall exclusively govern the
270 personnel policies and programs of the commission;

271 (vii) Promulgating a code of ethics to address permissible and
272 prohibited activities of commission members and employees; and

273 (viii) Providing a mechanism for winding up the operations of
274 the commission and the equitable disposition of any surplus funds
275 that may exist after the termination of the compact after the
276 payment and/or reserving of all of its debts and obligations.

277 d. The commission shall publish its bylaws in a convenient form
278 and file a copy thereof and a copy of any amendment thereto, with

279 the appropriate agency or officer in each of the compacting states.

280 Section 2. Management Committee, Officers and Personnel

281 a. A management committee comprising no more than fourteen
282 members shall be established as follows:

283 (i) One member from each of the six compacting states with the
284 largest premium volume for individual and group annuities, life,
285 disability income and long-term care insurance products,
286 determined from the records of the National Association of
287 Insurance Commissioners for the prior year;

288 (ii) Four members from those compacting states with at least two
289 per cent of the market based on the premium volume described
290 above, other than the six compacting states with the largest
291 premium volume, selected on a rotating basis as provided in the
292 bylaws; and

293 (iii) Four members from those compacting states with less than
294 two per cent of the market, based on the premium volume described
295 above, with one selected from each of the four zone regions of the
296 National Association of Insurance Commissioners as provided in
297 the bylaws.

298 b. The management committee shall have such authority and
299 duties as may be set forth in the bylaws, including, but not limited
300 to:

301 (i) Managing the affairs of the commission in a manner consistent
302 with the bylaws and purposes of the commission;

303 (ii) Establishing and overseeing an organizational structure
304 within, and appropriate procedures for, the commission to provide
305 for the creation of uniform standards and other rules, receipt and
306 review of product filings, administrative and technical support
307 functions, review of decisions regarding the disapproval of a

product filing, and the review of elections made by a compacting state to opt out of a uniform standard; provided that a uniform standard shall not be submitted to the compacting states for adoption unless approved by two-thirds of the members of the management committee;

(iii) Overseeing the offices of the commission; and

(iv) Planning, implementing, and coordinating communications and activities with other state, federal and local government organizations in order to advance the goals of the commission.

c. The commission shall elect annually officers from the management committee, with each having such authority and duties, as may be specified in the bylaws.

d. The management committee may, subject to the approval of the commission, appoint or retain an executive director for such period, upon such terms and conditions and for such compensation as the commission may deem appropriate. The executive director shall serve as secretary to the commission, but shall not be a member of the commission. The executive director shall hire and supervise such other staff as may be authorized by the commission.

Section 3. Legislative and Advisory Committees

a. A legislative committee comprising state legislators or their designees shall be established to monitor the operations of, and make recommendations to, the commission, including the management committee; provided that the manner of selection and term of any legislative committee member shall be as set forth in the bylaws. Prior to the adoption by the commission of any uniform standard, revision to the bylaws, annual budget or other significant matter as may be provided in the bylaws, the management committee shall consult with and report to the legislative committee.

b. The commission shall establish two advisory committees, one of which shall comprise consumer representatives independent of the insurance industry, and the other comprising insurance industry representatives.

c. The commission may establish additional advisory committees as its bylaws may provide for the carrying out of its functions.

Section 4. Corporate Records of the Commission

The commission shall maintain its corporate books and records in accordance with the bylaws.

Section 5. Qualified Immunity, Defense and Indemnification

a. The members, officers, executive director, employees and representatives of the commission shall be immune from suit and liability, either personally or in their official capacity, for any claim for damage to or loss of property or personal injury or other civil liability caused by or arising out of any actual or alleged act, error or omission that occurred, or that the person against whom the claim is made had a reasonable basis for believing occurred within the scope of commission employment, duties or responsibilities; provided, that nothing in this paragraph shall be construed to protect any such person from suit and/or liability for any damage, loss, injury or liability caused by the intentional or wilful and wanton misconduct of that person.

b. The commission shall defend any member, officer, executive director, employee or representative of the commission in any civil action seeking to impose liability arising out of any actual or alleged act, error or omission that occurred within the scope of commission employment, duties or responsibilities, or that the person against whom the claim is made had a reasonable basis for believing occurred within the scope of commission employment, duties or responsibilities; provided, that nothing herein shall be construed to prohibit that person from retaining counsel; and provided further,

that the actual or alleged act, error or omission did not result from that person's intentional or wilful and wanton misconduct.

c. The commission shall indemnify and hold harmless any member, officer, executive director, employee or representative of the commission for the amount of any settlement or judgment obtained against that person arising out of any actual or alleged act, error or omission that occurred within the scope of commission employment, duties or responsibilities, or that such person had a reasonable basis for believing occurred within the scope of commission employment, duties or responsibilities, provided, that the actual or alleged act, error or omission did not result from the intentional or wilful and wanton misconduct of that person.

ARTICLE VI

MEETINGS AND ACTS OF THE COMMISSION

1. The commission shall meet and take such actions as are consistent with the provisions of this compact and the bylaws.

2. Each member of the commission shall have the right and power to cast a vote to which that compacting state is entitled and to participate in the business and affairs of the commission. A member shall vote in person or by such other means as provided in the bylaws. The bylaws may provide for members' participation in meetings by telephone or other means of communication.

3. The commission shall meet at least once during each calendar year. Additional meetings shall be held as set forth in the bylaws.

ARTICLE VII

RULES AND OPERATING PROCEDURES: RULEMAKING FUNCTIONS OF THE COMMISSION AND OPTING OUT OF UNIFORM STANDARDS

1. The commission shall promulgate reasonable rules, including

398 uniform standards, and operating procedures in order to effectively
399 and efficiently achieve the purposes of this compact.
400 Notwithstanding the foregoing, in the event the commission
401 exercises its rulemaking authority in a manner that is beyond the
402 scope of the purposes of this compact, or the powers granted
403 hereunder, then such an action by the commission shall be invalid
404 and have no force and effect.

405 2. Rules and operating procedures shall be made pursuant to a
406 rulemaking process that conforms to the Model State
407 Administrative Procedure Act of 1981 as amended, as may be
408 appropriate to the operations of the commission. Before the
409 commission adopts a uniform standard, the commission shall give
410 written notice to the relevant state legislative committees in each
411 compacting state responsible for insurance issues of its intention to
412 adopt the uniform standard. The commission in adopting a uniform
413 standard shall consider fully all submitted materials and issue a
414 concise explanation of its decision.

415 3. A uniform standard shall become effective ninety days after its
416 promulgation by the commission or such later date as the
417 commission may determine; provided, however, that a compacting
418 state may opt out of a uniform standard as provided in this article.
419 "Opt out" shall be defined as any action by a compacting state to
420 decline to adopt or participate in a promulgated uniform standard.
421 All other rules and operating procedures, and amendments thereto,
422 shall become effective as of the date specified in each rule, operating
423 procedure or amendment.

424 4. A compacting state may opt out of a uniform standard, either
425 by legislation or regulation duly promulgated by the Insurance
426 Department under the compacting state's administrative procedure
427 act. If a compacting state elects to opt out of a uniform standard by
428 regulation, it must:

429 a. Give written notice to the commission no later than ten

business days after the uniform standard is promulgated, or at the time the state becomes a compacting state; and

b. Find that the uniform standard does not provide reasonable protections to the citizens of the state, given the conditions in the state. The commissioner shall make specific findings of fact and conclusions of law, based on a preponderance of the evidence, detailing the conditions in the state which warrant a departure from the uniform standard and determining that the uniform standard would not reasonably protect the citizens of the state. The commissioner must consider and balance the following factors and find that the conditions in the state and needs of the citizens of the state outweigh: (i) The intent of the legislature to participate in, and the benefits of, an interstate agreement to establish national uniform consumer protections for the products subject to this compact; and (ii) the presumption that a uniform standard adopted by the commission provides reasonable protections to consumers of the relevant product. Notwithstanding the foregoing, a compacting state may, at the time of its enactment of this compact, prospectively opt out of all uniform standards involving long-term care insurance products by expressly providing for such opt out in the enacted compact, and such an opt out shall not be treated as a material variance in the offer or acceptance of any state to participate in this compact. Such an opt out shall be effective at the time of enactment of this compact by the compacting state and shall apply to all existing uniform standards involving long-term care insurance products and those subsequently promulgated.

5. If a compacting state elects to opt out of a uniform standard, the uniform standard shall remain applicable in the compacting state electing to opt out until such time the opt out legislation is enacted into law or the regulation opting out becomes effective. Once the opt out of a uniform standard by a compacting state becomes effective as provided under the laws of that state, the uniform standard shall have no further force and effect in that state

463 unless and until the legislation or regulation implementing the opt
464 out is repealed or otherwise becomes ineffective under the laws of
465 the state. If a compacting state opts out of a uniform standard after
466 the uniform standard has been made effective in that state, the opt
467 out shall have the same prospective effect as provided under Article
468 XIV of this compact for withdrawals.

469 6. If a compacting state has formally initiated the process of
470 opting out of a uniform standard by regulation, and while the
471 regulatory opt out is pending, the compacting state may petition the
472 commission, at least fifteen days before the effective date of the
473 uniform standard, to stay the effectiveness of the uniform standard
474 in that state. The commission may grant a stay if it determines the
475 regulatory opt out is being pursued in a reasonable manner and
476 there is a likelihood of success. If a stay is granted or extended by
477 the commission, the stay or extension thereof may postpone the
478 effective date by up to ninety days, unless affirmatively extended by
479 the commission; provided, a stay may not be permitted to remain in
480 effect for more than one year unless the compacting state can show
481 extraordinary circumstances which warrant a continuance of the
482 stay, including, but not limited to, the existence of a legal challenge
483 which prevents the compacting state from opting out. A stay may be
484 terminated by the commission upon notice that the rulemaking
485 process has been terminated.

486 7. Not later than thirty days after a rule or operating procedure is
487 promulgated, any person may file a petition for judicial review of
488 the rule or operating procedure; provided, that the filing of such a
489 petition shall not stay or otherwise prevent the rule or operating
490 procedure from becoming effective unless the court finds that the
491 petitioner has a substantial likelihood of success. The court shall
492 give deference to the actions of the commission consistent with
493 applicable law and shall not find the rule or operating procedure to
494 be unlawful if the rule or operating procedure represents a
495 reasonable exercise of the commission's authority.

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ARTICLE VIII

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COMMISSION RECORDS AND ENFORCEMENT

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1. The commission shall promulgate rules establishing conditions and procedures for public inspection and copying of its information and official records, except such information and records involving the privacy of individuals and insurers' trade secrets. The commission may promulgate additional rules under which it may make available to federal and state agencies, including law enforcement agencies, records and information otherwise exempt from disclosure, and may enter into agreements with such agencies to receive or exchange information or records subject to nondisclosure and confidentiality provisions.

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2. Except as to privileged records, data and information, the laws of any compacting state pertaining to confidentiality or nondisclosure shall not relieve any compacting state commissioner of the duty to disclose any relevant records, data or information to the commission; provided, that disclosure to the commission shall not be deemed to waive or otherwise affect any confidentiality requirement; and further provided, that, except as otherwise expressly provided in this compact, the commission shall not be subject to the compacting state's laws pertaining to confidentiality and nondisclosure with respect to records, data and information in its possession. Confidential information of the commission shall remain confidential after such information is provided to any commissioner.

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3. The commission shall monitor compacting states for compliance with duly adopted bylaws, rules, including uniform standards, and operating procedures. The commission shall notify any non-complying compacting state in writing of its noncompliance with commission bylaws, rules or operating procedures. If a non-complying compacting state fails to remedy its noncompliance within the time specified in the notice of

noncompliance, the compacting state shall be deemed to be in default as set forth in Article XIV of this compact.

4. The commissioner of any state in which an insurer is authorized to do business, or is conducting the business of insurance, shall continue to exercise the commissioner's authority to oversee the market regulation of the activities of the insurer in accordance with the provisions of the state's law. The commissioner's enforcement of compliance with the compact is governed by the following provisions:

a. With respect to the commissioner's market regulation of a product or advertisement that is approved or certified to the commission, the content of the product or advertisement shall not constitute a violation of the provisions, standards or requirements of the compact except upon a final order of the commission, issued at the request of a commissioner after prior notice to the insurer and an opportunity for hearing before the commission.

b. Before a commissioner may bring an action for violation of any provision, standard or requirement of the compact relating to the content of an advertisement not approved or certified to the commission, the commission, or an authorized commission officer or employee, must authorize the action. However, authorization pursuant to this paragraph does not require notice to the insurer, opportunity for hearing or disclosure of requests for authorization or records of the commission's action on such requests.

ARTICLE IX

DISPUTE RESOLUTION

The commission shall attempt, upon the request of a member, to resolve any disputes or other issues that are subject to this compact and which may arise between two or more compacting states, or between compacting states and non-compacting states, and the commission shall promulgate an operating procedure providing for

559 resolution of such disputes.

560 ARTICLE X

561 PRODUCT FILING AND APPROVAL

562 1. Insurers and third-party filers seeking to have a product
563 approved by the commission shall file the product with, and pay
564 applicable filing fees to, the commission. Nothing in this compact
565 shall be construed to restrict or otherwise prevent an insurer from
566 filing its product with the insurance department in any state
567 wherein the insurer is licensed to conduct the business of insurance,
568 and such filing shall be subject to the laws of the states where filed.

569 2. The commission shall establish appropriate filing and review
570 processes and procedures pursuant to commission rules and
571 operating procedures. Notwithstanding any provision herein to the
572 contrary, the commission shall promulgate rules to establish
573 conditions and procedures under which the commission will
574 provide public access to product filing information. In establishing
575 such rules, the commission shall consider the interests of the public
576 in having access to such information, as well as protection of
577 personal medical and financial information and trade secrets, that
578 may be contained in a product filing or supporting information.

579 3. Any product approved by the commission may be sold or
580 otherwise issued in those compacting states for which the insurer is
581 legally authorized to do business.

582 ARTICLE XI

583 REVIEW OF COMMISSION DECISIONS REGARDING FILINGS

584 1. Not later than thirty days after the commission has given
585 notice of a disapproved product or advertisement filed with the
586 commission, the insurer or third-party filer whose filing was
587 disapproved may appeal the determination to a review panel

588 appointed by the commission. The commission shall promulgate
589 rules to establish procedures for appointing such review panels and
590 provide for notice and hearing. An allegation that the commission,
591 in disapproving a product or advertisement filed with the
592 commission, acted arbitrarily, capriciously, or in a manner that is an
593 abuse of discretion or otherwise not in accordance with the law, is
594 subject to judicial review in accordance with Article III, section 4 of
595 this compact.

596 2. The commission shall have authority to monitor, review and
597 reconsider products and advertisement subsequent to their filing or
598 approval upon a finding that the product does not meet the relevant
599 uniform standard. Where appropriate, the commission may
600 withdraw or modify its approval after proper notice and hearing,
601 subject to the appeal process in section 1 of this article.

602 ARTICLE XII

603 FINANCE

604 1. The commission shall pay or provide for the payment of the
605 reasonable expenses of its establishment and organization. To fund
606 the cost of its initial operations, the commission may accept
607 contributions and other forms of funding from the National
608 Association of Insurance Commissioners, compacting states and
609 other sources. Contributions and other forms of funding from other
610 sources shall be of such a nature that the independence of the
611 commission concerning the performance of its duties shall not be
612 compromised.

613 2. The commission shall collect a filing fee from each insurer and
614 third-party filer filing a product with the commission to cover the
615 cost of the operations and activities of the commission and its staff
616 in a total amount sufficient to cover the commission's annual
617 budget.

618 3. The commission's budget for a fiscal year shall not be

619 approved until it has been subject to notice and comment as set
620 forth in Article VII of this compact.

621 4. The commission shall be exempt from all taxation in and by the
622 compacting states.

623 5. The commission shall not pledge the credit of any compacting
624 state, except by and with the appropriate legal authority of that
625 compacting state.

626 6. The commission shall keep complete and accurate accounts of
627 all its internal receipts, including grants and donations, and
628 disbursements of all funds under its control. The internal financial
629 accounts of the commission shall be subject to the accounting
630 procedures established under its bylaws. The financial accounts and
631 reports including the system of internal controls and procedures of
632 the commission shall be audited annually by an independent
633 certified public accountant. Upon the determination of the
634 commission, but no less frequently than every three years, the
635 review of the independent auditor shall include a management and
636 performance audit of the commission. The commission shall make
637 an annual report to the governor and legislature of the compacting
638 states, which shall include a report of the independent audit. The
639 commission's internal accounts shall not be confidential and such
640 materials may be shared with the commissioner of any compacting
641 state upon request provided, however, that any work papers related
642 to any internal or independent audit and any information regarding
643 the privacy of individuals and insurers' proprietary information,
644 including trade secrets, shall remain confidential.

645 7. No compacting state shall have any claim to or ownership of
646 any property held by or vested in the commission or to any
647 commission funds held pursuant to the provisions of this compact.

648 ARTICLE XIII

COMPACTING STATES, EFFECTIVE DATE AND AMENDMENT

1. Any state is eligible to become a compacting state.

2. The compact shall become effective and binding upon legislative enactment of the compact into law by two compacting states; provided, the commission shall become effective for purposes of adopting uniform standards for, reviewing, and giving approval or disapproval of, products filed with the commission that satisfy applicable uniform standards only after twenty-six states are compacting states or, alternatively, by states representing greater than forty per cent of the premium volume for life insurance, annuity, disability income and long-term care insurance products, based on records of the National Association of Insurance Commissioners for the prior year. Thereafter, it shall become effective and binding as to any other compacting state upon enactment of the compact into law by that state.

3. Amendments to the compact may be proposed by the commission for enactment by the compacting states. No amendment shall become effective and binding upon the commission and the compacting states unless and until all compacting states enact the amendment into law.

ARTICLE XIV

WITHDRAWAL, DEFAULT AND TERMINATION

Section 1. Withdrawal

a. Once effective, the compact shall continue in force and remain binding upon each and every compacting state; provided, that a compacting state may withdraw from the compact ("withdrawing state") by enacting a statute specifically repealing the statute which enacted the compact into law.

b. The effective date of withdrawal is the effective date of the

678 repealing statute. However, the withdrawal shall not apply to any
679 product filings approved or self-certified, or any advertisement of
680 such products, on the date the repealing statute becomes effective,
681 except by mutual agreement of the commission and the
682 withdrawing state unless the approval is rescinded by the
683 withdrawing state as provided in paragraph e. of this section.

684 c. The commissioner of the withdrawing state shall immediately
685 notify the management committee in writing upon the introduction
686 of legislation repealing this compact in the withdrawing state.

687 d. The commission shall notify the other compacting states of the
688 introduction of such legislation within ten days after its receipt of
689 notice thereof.

690 e. The withdrawing state is responsible for all obligations, duties
691 and liabilities incurred through the effective date of withdrawal,
692 including any obligations, the performance of which extend beyond
693 the effective date of withdrawal, except to the extent those
694 obligations may have been released or relinquished by mutual
695 agreement of the commission and the withdrawing state. The
696 commission's approval of products and advertisement prior to the
697 effective date of withdrawal shall continue to be effective and be
698 given full force and effect in the withdrawing state, unless formally
699 rescinded by the withdrawing state in the same manner as provided
700 by the laws of the withdrawing state for the prospective
701 disapproval of products or advertisement previously approved
702 under state law.

703 f. Reinstatement following withdrawal of any compacting state
704 shall occur upon the effective date of the withdrawing state
705 reenacting the compact.

706 Section 2. Default

707 a. If the commission determines that any compacting state has at
708 any time defaulted ("defaulting state") in the performance of any of

its obligations or responsibilities under this compact, the bylaws or duly promulgated rules or operating procedures, then, after notice and hearing as set forth in the bylaws, all rights, privileges and benefits conferred by this compact on the defaulting state shall be suspended from the effective date of default as fixed by the commission. The grounds for default include, but are not limited to, failure of a compacting state to perform its obligations or responsibilities, and any other grounds designated in commission rules. The commission shall immediately notify the defaulting state in writing of the defaulting state's suspension pending a cure of the default. The commission shall stipulate the conditions and the time period within which the defaulting state must cure its default. If the defaulting state fails to cure the default within the time period specified by the commission, the defaulting state shall be terminated from the compact and all rights, privileges and benefits conferred by this compact shall be terminated from the effective date of termination.

b. Product approvals by the commission or product self-certifications, or any advertisement in connection with such product, that are in force on the effective date of termination shall remain in force in the defaulting state in the same manner as if the defaulting state had withdrawn voluntarily pursuant to section 1 of this article.

c. Reinstatement following termination of any compacting state requires a reenactment of the compact.

Section 3. Dissolution of Compact

a. The compact dissolves effective upon the date of the withdrawal or default of the compacting state which reduces membership in the compact to one compacting state.

b. Upon the dissolution of this compact, the compact becomes null and void and shall be of no further force or effect, and the

740 business and affairs of the commission shall be wound up and any
741 surplus funds shall be distributed in accordance with the bylaws.

742 ARTICLE XV

743 SEVERABILITY AND CONSTRUCTION

744 1. The provisions of this compact shall be severable; and if any
745 phrase, clause, sentence or provision is deemed unenforceable, the
746 remaining provisions of the compact shall be enforceable.

747 2. The provisions of this compact shall be liberally construed to
748 effectuate its purposes.

749 ARTICLE XVI

750 BINDING EFFECT OF COMPACT AND OTHER LAWS

751 Section 1. Other Laws

752 a. Nothing herein prevents the enforcement of any other law of a
753 compacting state, except as provided in paragraph b. of this section.

754 b. For any product approved or certified to the commission, the
755 rules, uniform standards and any other requirements of the
756 commission shall constitute the exclusive provisions applicable to
757 the content, approval and certification of such products. For
758 advertisement that is subject to the commission's authority, any
759 rule, uniform standard or other requirement of the commission
760 which governs the content of the advertisement shall constitute the
761 exclusive provision that a commissioner may apply to the content of
762 the advertisement. Notwithstanding the foregoing, no action taken
763 by the commission shall abrogate or restrict:

764 (i) The access of any person to state courts;

765 (ii) Remedies available under state law related to breach of
766 contract, tort, or other laws not specifically directed to the content of

767 the product;

768 (iii) State law relating to the construction of insurance contracts;
769 or

770 (iv) The authority of the attorney general of the state, including,
771 but not limited to, maintaining any actions or proceedings, as
772 authorized by law.

773 c. All insurance products filed with individual states shall be
774 subject to the laws of those states.

775 Section 2. Binding Effect of this Compact

776 a. All lawful actions of the commission, including all rules and
777 operating procedures promulgated by the commission, are binding
778 upon the compacting states.

779 b. All agreements between the commission and the compacting
780 states are binding in accordance with their terms.

781 c. Upon the request of a party to a conflict over the meaning or
782 interpretation of commission actions, and upon a majority vote of
783 the compacting states, the commission may issue advisory opinions
784 regarding the meaning or interpretation in dispute.

785 d. In the event any provision of this compact exceeds the
786 constitutional limits imposed on the legislature of any compacting
787 state, the obligations, duties, powers or jurisdiction sought to be
788 conferred by that provision upon the commission shall be
789 ineffective as to that compacting state, and those obligations, duties,
790 powers or jurisdiction shall remain in the compacting state and shall
791 be exercised by the agency thereof to which those obligations,
792 duties, powers or jurisdiction are delegated by law in effect at the
793 time this compact becomes effective.

794 ARTICLE XVII

795 STATE OF CONNECTICUT OPT OUT

796 In accordance with the provisions of Article VII, section 4 of this
 797 compact, the state of Connecticut opts out of all existing and
 798 prospective uniform standards involving long-term care insurance
 799 products, all existing uniform standards involving life insurance
 800 products and all existing uniform standards involving disability
 801 income insurance products in order to preserve the state's statutory
 802 requirements governing these insurance products.

| | | |
|---|--------------|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | July 1, 2016 | New section |

| | | |
|-----------|--------------|-------------|
| Section 1 | July 1, 2016 | New section |
|-----------|--------------|-------------|

INS *Joint Favorable Subst.*